

PHOTO-ME AUSTRALIA LIMITED

ABN 73 110 184 355

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009



CONTENTS OF FINANCIAL REPORT

CORPORATE INFORMATION.....	3
LETTER FROM THE CHAIRMAN.....	4
MANAGING DIRECTOR'S REPORT.....	6
DIRECTORS' REPORT.....	7
REMUNERATION REPORT (audited).....	12
AUDITOR INDEPENDENCE DECLARATION.....	17
INCOME STATEMENT.....	18
BALANCE SHEET.....	19
STATEMENT OF CHANGES IN EQUITY.....	20
STATEMENT OF CHANGES IN EQUITY.....	21
FOR THE YEAR ENDED 30 JUNE 2009.....	22
NOTES TO THE FINANCIAL STATEMENTS.....	23
Note 1: Corporate Information.....	23
Note 2: Summary of Significant Accounting Policies.....	23
Note 3: Financial risk management objectives and policies.....	32
Note 4: Significant Accounting Judgements, Estimates and Assumptions.....	35
Note 5: Segment Information.....	36
Note 6: Dividends Paid and Proposed.....	36
Note 7: Revenue & Other Income.....	36
Note 8: Expenses.....	37
Note 9: Income Tax.....	37
Note 10: Earnings Per Share.....	38
Note 11: Cash and Cash Equivalents.....	38
Note 12: Trade and Other Receivables.....	38
Note 13: Prepayments.....	39
Note 14: Inventory.....	39
Note 15: Other Financial Assets and subsidiaries.....	40
Note 16: Property, Plant & Equipment.....	40
Note 16: Property, Plant & Equipment (continued).....	41
Note 17: Current Liabilities – Trade and Other Payables.....	41
Note 18: Interest bearing liabilities and Derivative Financial Instruments.....	42
Note 19: Provisions.....	43
Note 20: Contributed Equity.....	43
Note 21: Accumulated Losses.....	43
Note 22: Reserves.....	44
Note 23: Cash Flow Statement Reconciliation.....	44
Note 24: Related Party Disclosure.....	45
Note 24: Related Party Disclosure (continued).....	46
Note 25: Key Management Personnel.....	46
Note 27: Events After The Balance Sheet Date.....	49
Note 28: Commitments and Contingencies.....	50
Note 29: Auditors Remuneration.....	50
Note 30: Share-Based Payments.....	50
DIRECTORS' DECLARATION.....	51
INDEPENDENT AUDIT REPORT.....	52
CORPORATE GOVERNANCE STATEMENT.....	53
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES.....	58

CORPORATE INFORMATION

Photo-Me Australia Limited
ABN 73 110 184 355

Directors

Mr. Vince Accardi	(Managing Director)
Mr. Riccardo Costi	(Non-Executive Director)
Mr. Vincent Mathieu	(Non-Executive Director)
Mr Malcolm Di Giulio	(Non-Executive Director) - appointed 10 th September 2008
Mr. Angus Edgar	(Non-Executive Chairman) - resigned 18 th March 2009

Company Secretary

Mr. TJ Spooner

Registered Office

Level 41, 108 St George's Terrace
Perth
Western Australia 6000
Phone: (08) 9463 2463
Fax: (08) 9463 2499

Principal Place of Business

Level 1, 797 Plenty Road
South Morang
Victoria 3752

Mailing address:

PO BOX 109
Mill Park
Victoria 3082
Phone: (03) 9436 4669

Website: www.photo-me.com.au

Auditors

PKF
Level 14, 140 William Street
Melbourne
Victoria 3000

Solicitors

Quinert Rodda & Associates
Level 19, 500 Collins Street
Melbourne
Victoria 3000

Share Registry

Security Transfer Registrars Pty Ltd
Alexandra House
Suite 1, 770 Canning Highway,
Applecross
Western Australia 61

LETTER FROM THE CHAIRMAN

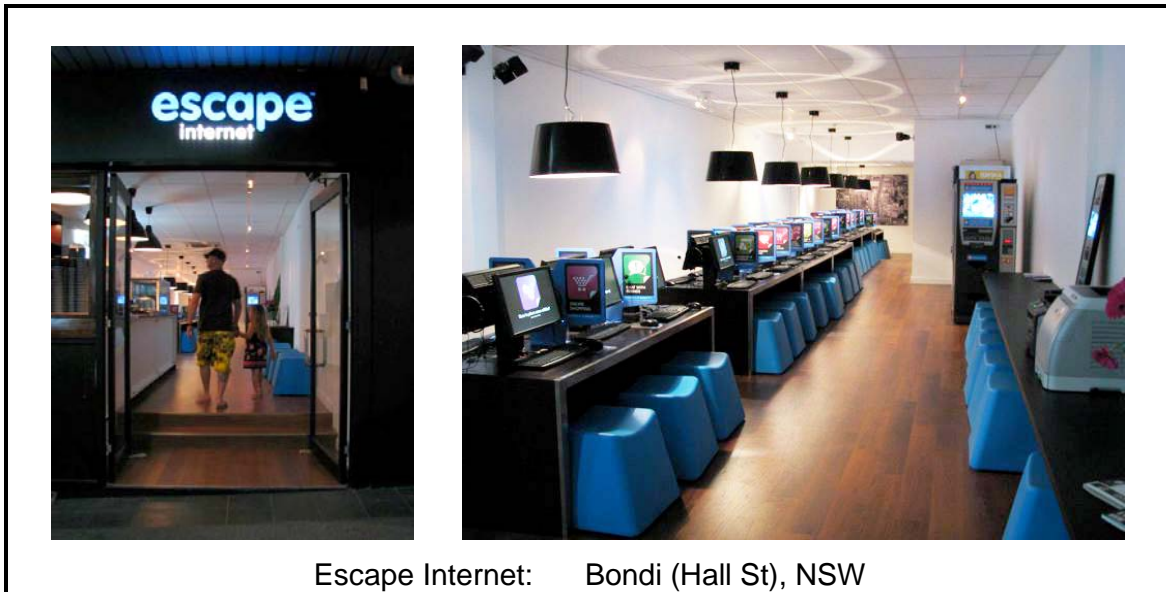
Dear Shareholders

Your board and I are pleased to present you with your company's annual report for the financial year ended 30 June 2009.

In what has been a very difficult year for the global financial economy, your management team has been very focused on containing and reducing costs where possible and at the same time working hard to maximise the revenue flow from our photo booths; this focus has started to pay off and we look forward to the financial position of the company improving over the coming financial year as negotiated reduced rents kick in and relocations take effect. Your management team will continue to make this a focus for the company.

Globalinc Acquisition

In September 2008 the company completed its acquisition of the business of Globalinc. The company has rolled out Escape Internet kiosks throughout various Sydney and Melbourne high traffic shopping centres. We continue to work on the model and have just recently restructured the offering which will mean that the company will be able to roll out 6 new sites with no additional rental cost; these sites will be cash positive from day one.



In addition to the kiosks in the shopping centres the company continues to expand its internet service sites to accommodation providers across Australia. This area of the business continues to be strong and a good flow of revenue.

The board is also currently working on a number of projects that continue to drive revenue and exposure, these projects although in their early stages, look very promising and exciting for your company and we look forward to announcing these to you.

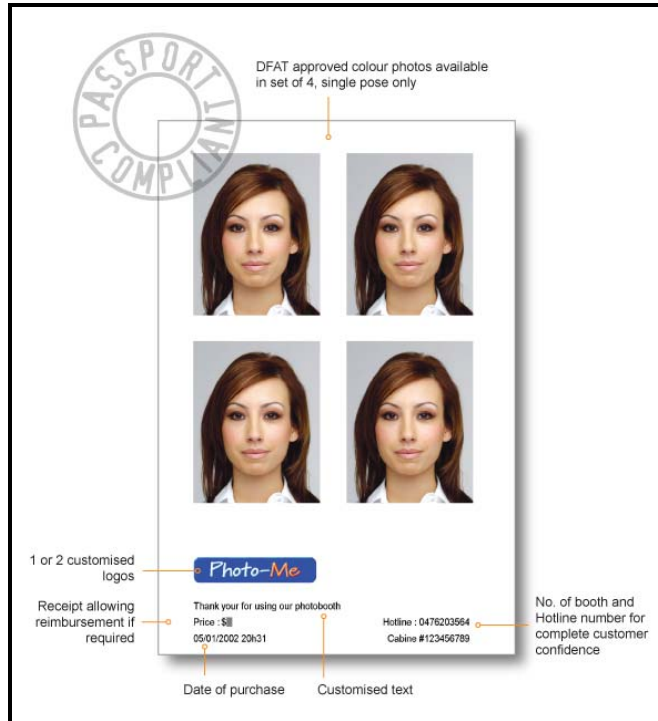
In what has been a very difficult year I very much want to thank our management team of Vince Accardi and Phil Tijan, who have maintained focus, enthusiasm and have worked extremely hard in maintaining our various kiosks, improving our revenue flow and containing and reducing costs. Their focus, as directed and supported by the board, is to establish a stable and sustainable platform of assets that will then provide the company a platform from which to grow.

On behalf of the company I would like to thank our former Director and Chairman, Mr Angus Edgar, and our former Company Secretary, Mr Adrien Wing, for their vision, guidance and hard work. I would also like to welcome on board our new Company Secretary, Mr TJ Spooner, we look forward to his contribution over the coming years and finally I would like to thank my fellow board members, our international board members representing Photo-Me International and our Managing Director Mr Vince Accardi.

Thank you also to you, our shareholders, for your support. Please stick with us as we work hard to consolidate and provide the company with a solid platform for growth.

Yours faithfully

Mal Di Giulio
Chairman



MANAGING DIRECTOR'S REPORT

Review of Photo Me Australia's operations

The June 2009 Fiscal year was one of change for Photo-Me Australia. During the 12 months, your company expanded its business operations through the acquisition of the internet vending kiosk business, Escape Internet.

The acquisition broadened our offering in the vending space and allowed the company to boost revenue 34% to \$2.94 million from our two business arms, the other being our traditional Photo-Me digital photobooth network across Australia. Merging the two businesses and extracting the benefits from being a larger presence in vending has been extremely challenging during a serious slowdown in the retail sector.

Costs associated with the start-up and expansion of the Escape business and slower demand for our top quality photobooth business caused your company to record a loss for the Fiscal year of \$2.088m. However, your company continues to press ahead in its two major business areas as well as investigate new opportunities which have presented themselves as a result of our relationship with Photo-Me International Plc in the United Kingdom, which is listed on the London Stock Exchange.

Photo-Me Australia today owns and manages 292 leading edge technology photoboos in shopping centres and other sites across Australia. We have worked extremely hard on the location and deployment of our photoboos to maximise the benefits for our landlords and for the business itself. This is fewer than the same time last year, but we are on the verge of rolling out 38 photoboos to new localities. These photoboos had been moved from under-performing sites and your company is grateful for the support from our landlords in facilitating these necessary relocations. We look forward to improvement in photobooth transactions as customers get to know the locations of these facilities.

Your company has also worked hard on ways to best deploy our Escape Internet vending kiosks. When Photo-Me Australia acquired the business just over a year ago, Escape Internet was available in just seven shopping centres. Today we are available in 21 locations with a total of 456 screens available for our customers. Your company is also in the final stages of negotiating the roll out of Escape Internet kiosks in seven new sites, including two in Western Australia. This will make Escape Internet a truly nationwide business, just like our photoboos.

Our people are also examining ways to enhance the roll out of new Escape Internet kiosks through different configurations of screens. We will even be running trials of six-seater kiosks during the current year.

Our third business, PC Connect, which supplies internet vending services to the hotel accommodation industry has also grown this year and is proving popular with budget accommodation providers across Australia. A total of 93 providers are now customers of this business, up from 63 last year.

In August, your company was happy to report that the company had made progress on improving its balance sheet through debt renegotiation, cost cutting and capital raising. We were able to advise that agreement in principle had been reached on the reduction and settlement of a substantial liability. Final details of this and a capital raising are being completed.

Looking ahead, your company is pleased to report that we have been able to reduce forecast operating costs for the year ahead after discussions with our major providers. I would like to thank our business partners for the support they have given us during a tough time for the retail sector, especially where it involves the discretionary spending dollar.

I would also like to thank our major shareholders, especially Photo-Me International and the Oceanside Group of companies, for the support they have given at board level.

The year ahead will be full of challenges but it is a great comfort for your board to know that it has the support of shareholders, landlords and customers to fully develop the opportunities in the photobooth and internet vending business. Internet vending is a highly fragmented industry and one where we continue to expect that Photo-Me Australia will be able to play a role in industry rationalisation.

Your company, the board and our loyal and hard-working staff look forward to meeting these challenges and reporting on our progress in the months ahead.

Vince Accardi
Managing Director

DIRECTORS' REPORT

The Directors of Photo-Me Australia Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2009. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors Names

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Name	Particulars
Mr Vince Accardi	Managing Director, age 46 (Appointed 23 July 2004)
Experience	Mr. Accardi is also a founder of the Company. Mr. Accardi is the Company's Managing Director. Mr Accardi is 46 years old and has been responsible for establishing the Company's commercial contracts with shopping centres and the roll out of the digital Photo booths. Mr Accardi has an extensive background in sales and marketing within the IT and telecommunications industry, including setting up sales channels internationally for Australian based companies.
Directorships in listed entities in the past three years	Nil
Mr Riccardo Costi	Non-Executive Director, age 65 (Appointed 8 November 2004)
Experience	Mr Costi is 64 years old. Mr. Costi has been involved with Photo-Me International plc for over 35 years, is an executive Director of Photo-Me International plc, and President of Photo-Me International plc's Japanese subsidiary, Nippon Auto Photo with responsibility for sales and distribution, and the management of over 5,000 vending machines. He has achieved a substantial growth within the Japanese market.
Directorships in listed entities in the past three years	Nil
Mr Vincent Mathieu	Non-Executive Director, age 38 (Appointed 8 November 2004)
Experience	Mr Vincent Mathieu is Worldwide Sales Director of Kis Photo-Me Group, based in Grenoble, France. He is also a director of Photo-Me subsidiaries in China and Japan.
Directorships in listed entities in the past three years	Nil
Mr Malcolm Di Giulio	Non-Executive Director, age 45 (Appointed 10 September 2008)
Experience	Mr Malcolm Di Giulio is a Senior Partner of the Accounting and Business Advisory firm, MGI Perth. Mr Di Giulio is a chartered accountant with 23 years experience working with business owners from start-ups to large and well established corporations. His expertise is in structuring, strategy, growth and exiting businesses in the SME market across many industry segments.
Directorships in listed entities in the past three years	Nil

DIRECTORS' REPORT (continued)

Mr Angus Edgar	Non Executive Chairman, age 45 (Appointed 9 February 2007; resigned 18 March 2009)
Experience	Mr. Edgar is a founder of the Company. Mr. Edgar has had over 20 years of experience in the share broking and corporate advisory industries. Mr Edgar is 45 years old and has been involved on the board of several public companies and is currently an executive director of Melbourne Capital Limited. Mr Edgar has extensive experience in capital markets and has been involved with the raising of capital for numerous public companies listed on ASX and private companies.
Directorships in listed entities in the past three years	Transol Corporation Limited
Mr Timothy (TJ) Spooner	Company Secretary, age 52 (Appointed 27 July 2009)
Experience	<p>Mr TJ Spooner is a practising Chartered Accountant (Australia and UK) and a member of Chartered Secretaries Australia. He is a Partner in Perth accountants and business advisers, MGI Perth, a seven partner practice.</p> <p>He has over 25 years' experience in the field of corporate and accounting services and has gained extensive corporate knowledge both through his detailed company secretarial knowledge, together with his very extensive public practice experience in both the United Kingdom and Australia.</p>
Mr Adrien Wing	Company Secretary (resigned 18 March 2009)

Directors' current share and option holdings

	No. of shares	No. of options
Mr Vince Accardi	4,027,833	6,027,833
Mr Riccardo Costi +	13,825,000	13,825,000
Mr Vincent Mathieu +	13,825,000	13,825,000
Mr Malcolm Di Giulio	-	-
Mr Angus Edgar (resigned 18 March 2009)	16,162,552	12,843,337

+ Securities held by Mr Costi and Mr Mathieu are registered in the name of Photo Me International Plc who hold 13,825,000 shares and 13,825,000 options. Mr Costi and Mr Mathieu are associates of that entity.

Holdings are at the date of this report

DIRECTORS' REPORT (continued)

Directors Meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director. During the financial year, eight (8) Board meetings were held. There is no separate remuneration, nomination committee or audit committee.

DIRECTORS	BOARD OF DIRECTORS	
	ELIGIBLE TO ATTEND	ATTENDED
Mr V Accardi	8	8
Mr R Costi	8	6
Mr V Mathieu	8	4
Mr M Di Giulio (1)	4	4
Mr A Edgar (2)	8	8

(1) Appointed 10 September 2008

(2) Resigned 18 March 2009

Principal Activities

The Company's principal activities and current operations are the provision, installation and maintenance of vending machine technology in Australia together with the identification and subsequent commercial exploitation of new opportunities with other vending machine technology.

The Company's principal activities have not changed from the prior year.

Operating Results

The consolidated entity's net loss for the year after applicable income tax was \$2,088,461 (2008: loss of \$1,508,675).

Review of Operations

Whilst the consolidated entity incurred a net loss of \$2,088,461 in the year, the company issued 27,298,350 shares and 80,858,800 options to raise capital of \$2,417,148 (as referred to below and in note 20 to the financial statements), resulting in a net increase of \$328,687 in Net Assets. The 2009 Financial Year under review was one of continued successful integration together with growth in revenue of over 30% to \$2.94m following the acquisition of the assets of Globalinc. During the first nine months since acquiring Globalinc the company has substantially increased the size of its Escape Internet foot print; PC Connect, the Hotel internet vending arm, has also continued to expand. In addition, Photo-Me's service arm has expanded its operations.

The company has also recently made progress on improving its balance sheet through debt renegotiation (as referred to in more detail below in After Balance Date Events) and cost cutting. Please also refer to the Managing Director's Report preceding the Directors' Report in the Annual Report.

Significant Changes in State of Affairs

On 12th August 2008, the Company undertook a non renounceable entitlement issue of options and subsequently issued 64,358,800 options at a price of 1 cent per option, thereby raising \$643,588 (before associated costs). The options have an exercise price of 6 cents and are exercisable on or before 31 July 2011.

On 28th August 2008, shareholders approved the acquisition of the Globalinc assets subject to satisfying certain conditions precedent. On 9th September 2008, those conditions precedent were satisfied. The Company issued 6.5 million new shares to the vendors of Globalinc.

On 9th September 2008, the Company undertook a placement of 10 million shares at 10 cents per share (and 10 million free attaching options) raising \$1 million (before associated costs). This placement formed part of the conditions precedent to the Globalinc asset acquisition; also on the same date, the company issued a further 6,500,000 options at 1 cent raising \$65,000.

DIRECTORS' REPORT (continued)

Significant Changes in State of Affairs (continued)

On 16th September 2008 3,298,350 ordinary shares were issued in consideration for the conversion of \$157,331 of Convertible Notes.

On 7th January 2009 7,500,000 ordinary shares were issued at 4 cents for working capital purposes.

Other than disclosed above, there were no significant changes in the state of affairs of the economic entity during the financial year.

Financial Position

The net assets of the consolidated entity have increased during the year by \$328,687 to \$1,803,468 as at 30 June 2009. The major movements comprise issues of shares and options totalling \$2,417,148 (after issue costs) and losses in the year of \$2,088,461 reflecting the integration of the acquisition of Globalinc during the year and roll out of its internet vending business.

Likely Future Developments & Expected Results

Disclosure of further information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

After Balance Date Events

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years except for the following:

1. Included in convertible notes is a loan amount of \$700,100 (before fair value adjustment) from Photo-Me International Plc (PMI). Subsequent to the year end, PMI has agreed to accept \$100,000 in full and final settlement of this debt (and including accrued interest to the date of settlement of approximately \$80,000). This will have the effect of reducing total liabilities by some \$680,000. The benefit of this adjustment is not reflected in the year-end Balance Sheet.
2. Agreement has been received in principle to convert a loan of \$319,000 from a shareholder into ordinary shares, subject to requisite shareholder, ASX and ASIC approvals.

Environmental Regulation and Performance

The Group has not identified any specific environmental regulation which the Group is subject to. There have been no known breaches by the company of any environmental regulation.

Dividends

No dividend has been declared or paid during the financial year and the Directors do not recommend the payment of any dividend in respect of the current or preceding financial years.

Share Options

Unissued ordinary shares of Photo-Me Australia Limited under option at the date of this report are as follows:

Date Options Granted	Expiry Date	Issue Price of Options	Exercise Price of Options	Number Under Option
8 September 2008	31 July 2011	\$0.01	\$0.06	80,858,800

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

DIRECTORS' REPORT (continued)
Share Options (continued)

No ordinary shares of Photo-Me Australia Limited were issued during the year ended 30 June 2009 on the exercise of options. No further shares have been issued since that date.

Proceedings On Behalf of the Company

No person has applied for leave of the Court under Section 327 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any proceedings during the year.

Indemnification of Officers and Auditors

During or since the financial year the Company has indemnified and entered into Deeds of Indemnity and Access with each of the current directors to indemnify the director or any related body corporate against a liability incurred as a director. The Deeds provide for the Company to pay all damages and cost which may be awarded against the Directors.

The Company has paid premiums to insure each of the Directors against liabilities for cost and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of a Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The specific terms of the policy and the amount of premiums paid is confidential under the terms of the policy and are not permitted to be disclosed.

No agreements have been entered into to indemnify, or insure against a liability of the auditors of the Company.

Non-Audit Services

The Directors are satisfied that the provision of non-audit services, during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standards of independence for auditors imposed by the *Corporations Act 2001*.

The following non-audit services were provided by the Company's auditor during the year to June 2009:

Accounting and taxation	Nil
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Auditor's Independence Declaration

A copy of the auditor's independence declaration under s.307C of the *Corporation Act 2001* in relation to the audit of the full year is included on page 18.

REMUNERATION REPORT (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act. This Remuneration Report forms part of the Directors' Report. For the purposes of this report Key Management Personnel (KMP) of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the executives in the parent entity and the group receiving the highest remuneration.

The Board policy for determining the nature and amount of remuneration of Directors and executives is agreed by the Board of Directors as a whole. The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated Directors and employees who can enhance Company performance through their contributions and leadership.

Executive Director Compensation

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration. The Company does not have any long term incentives forming part of the executive directors' compensation.

Non-Executive Director Compensation

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time-to-time by a general meeting. The latest determination was at the Annual General Meeting held 27th November 2007 when shareholders approved an aggregate remuneration of \$250,000 per annum to be apportioned amongst Non-executive Directors.

With the exception of the consultancy fee paid to Mr Angus Edgar (refer to Employment Contracts below for further details), the Company does not pay any non-executive directors.

Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the *Corporations Act 2001* at the time of the Directors retirement or termination. Non-Executive Directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

Remuneration

Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Accordingly, the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the Board and executives.

The Board of Directors assess the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing Board and executive team.

REMUNERATION REPORT (audited)

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

The Board policy for determining the nature and amount of remuneration of Directors and executives is agreed by the Board of Directors as a whole. The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated Directors and employees who can enhance Company performance through their contributions and leadership.

Executive Remuneration

Objective

The Company aims to reward executives with a level of remuneration commensurate with their position and responsibilities within the Company so as to attract and retain executives of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary and superannuation)

There is no variable remuneration element.

Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Board of Directors. The process consists of a review of company and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. As noted above, the Board may engage an external consultant to provide independent advice.

Structure

Executives receive their fixed remuneration in the form of cash and amounts paid by the Company to superannuation funds on behalf of executives.

Group performance

Group performance (as measured by Earnings/(Loss) Per Share) is shown below:

	2009	2008	2007	2006	2005
EPS	(0.025)	(0.024)	(0.027)	N/A	N/A

There is no performance-related remuneration.

REMUNERATION REPORT (audited)

Remuneration of Key Management Personnel

The remuneration of key management personnel of the consolidated entity is set out below:

Remuneration for Year Ended 30 June 2009

Name of Directors & Executives	Short term employee benefits			Post employment benefits	Share-based payment		Total	Equity as % of annual remuneration
	Fees	Travel & accomm	Non-monetary benefits	Super-annuation	Options	Shares		
2009	\$	\$	\$	\$	\$	\$	\$	
<i>Non-executive Directors</i>								
Mr A Edgar – Chairman (1) (resigned 18 March 2009)	45,000	-	-	-	-	-	45,000	-
Mr R Costi	-	-	-	-	-	-	-	-
Mr V Mathieu	-	-	-	-	-	-	-	-
Mr M Di Giulio – (appointed 10 September 2008)	-	-	-	-	-	-	-	-
<i>Executive directors</i>								
Mr V Accardi – Managing Director (2)	277,400	59,409	-	-	-	-	336,809	-
<i>Other key management personnel</i>								
Mr P Tijan Service Manager	120,000	37,005	-	-	-	-	157,005	-
Mr A Wing - Company Secretary (3) (resigned 18 March 2009)	60,015	3,225	-	-	-	-	63,240	-
	502,415	99,639	-	-	-	-	602,054	-

- (1) Amounts paid or payable to Mungala Investments Pty Ltd, an entity associated with Angus Edgar;
 (2) Amounts paid or payable to VA Enterprises Pty Ltd, an entity associated with Vince Accardi
 (3) Amounts paid or payable to Northern Star Nominees Pty Ltd, an entity associated with Adrien Wing.

Shares Issued as Part of Remuneration for the Year Ended 30 June 2009

There were no shares issued as part of remuneration during the year ended 30 June 2009.

Options Issued as Part of Remuneration for the Year Ended 30 June 2009

There were no options issued as part of remuneration during the year ended 30 June 2009.

REMUNERATION REPORT (audited)

Remuneration of Key Management Personnel (continued)

Remuneration for Year Ended 30 June 2008

Name of Directors & Executives	Short term employee benefits			Post employment benefits	Share-based payment		Total	Equity as % of annual remuneration
	Fees	Travel & accomm.	Non-monetary benefits	Super-annuation	Options	Shares		
2008	\$	\$	\$	\$	\$	\$	\$	
<i>Non-executive Directors</i>								
Mr A Edgar – Chairman (1)	60,000	-	-	-	-	-	60,000	-
Mr R Costi	-	-	-	-	-	-	-	-
Mr V Mathieu	-	-	-	-	-	-	-	-
<i>Executive directors</i>								
Mr V Accardi – Managing Director (2)	267,692	-	-	-	-	-	267,692	-
<i>Other key management personnel</i>								
Mr P Tijan Service Manager	130,000	-	-	-	-	-	130,000	-
Mr A Wing (3) Former Company Secretary	99,500	-	-	-	-	-	99,500	-
	557,192	-	-	-	-	-	557,192	-

(1) Amounts paid or payable to Mungala Investments Pty Ltd, an entity associated with Angus Edgar;

(2) Amounts paid or payable to VA Enterprises Pty Ltd, an entity associated with Vince Accardi

(3) Amounts paid or payable to Northern Star Nominees Pty Ltd, an entity associated with Adrien Wing.

Shares Issued as Part of Remuneration for the Year Ended 30 June 2008

There were no shares issued as part of remuneration during the year ended 30 June 2008.

Options Issued as Part of Remuneration for the Year Ended 30 June 2008

There were no options issued as part of remuneration during the year ended 30 June 2008.

Employment Contracts

The following Employment Contracts were in place with named directors and executives.

- On 2 April 2007, Mr Vince Accardi, entered into an Consultancy Agreement with the company with the following key terms:
 - Service fee of \$20,000 per month excluding GST;
 - To act as managing director and to manage the day to day activities of the Company and to report to the Board; and
 - The term of the agreement is for 2 years with annual renewal for a term of one year thereafter by mutual agreement.

REMUNERATION REPORT (audited)

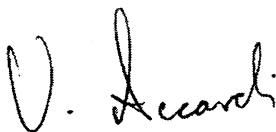
Remuneration of Key Management Personnel (continued)

Employment Contracts (continued)

- On 2 April 2007, Mr Phillip Tijan, entered into an Consultancy Agreement with the company with the following key terms:
 - Service fee of \$10,000 per month excluding GST;
 - To act as service and maintenance manager; and
 - The term of the agreement is for 2 years with annual renewal for a term of one year thereafter by mutual agreement.
- On 9 February 2007, Mr Angus Edgar entered into an Consultancy Agreement with the company with the following key terms:
 - Service fee of \$5,000 per month excluding GST;
 - To act as Chairman of the Company; and
 - The term of the agreement is for a minimum of 6 months, whereby the agreement may be terminated by either party on the basis that 6 month notice is provided.
- On 17 January 2007, Mr Adrien Wing, entered into an Executive Services Agreement with the Company with the following key terms:
 - Service fee of \$5,000 per month excluding GST;
 - To act as Company Secretary of the Company; and
 - The term of the agreement is for a minimum of 6 months, whereby the agreement may be terminated by either party on the basis that 6 month notice is provided. Mr Wing resigned as Company Secretary during the period.
- On 27 July 2009, MGI Perth Pty Ltd of which Malcolm Di Giulio is a partner, entered into a service agreement with the company to provide the services of Mr TJ Spooner as Company Secretary with the following key terms:
 - Provision of certain accounting and ASX-related activities amounting to approximately \$4,742 per month, together with fees at normal commercial rates for additional services;
 - To act as Company Secretary of the Company.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Vince Accardi
Managing Director
30 September 2009



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Photo-Me Australia Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Photo-Me Australia Limited and the entities it controlled during the year.

J A Mooney
Partner
PKF

30 September 2009
Melbourne

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Liability limited by a scheme approved under Professional Standards Legislation.

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue from continuing operations	7	2,944,337	2,203,142	2,226,242	2,203,142
Gain on acquisition	26	101,208	-	-	-
Other income	7	34,722	352,836	34,592	352,836
Materials and consumables used		(2,734,765)	(1,995,496)	(2,011,401)	(1,995,496)
Employee costs		(198,661)	(26,040)	(69,155)	(26,040)
Administrative expenses		(1,345,593)	(1,008,996)	(890,688)	(1,008,996)
Finance costs	8	(169,973)	(263,329)	(166,063)	(263,329)
Impairment of goodwill		-	(280,000)	-	(280,000)
Impairment of related party receivable	12	-	-	(734,084)	-
Depreciation	8	(719,736)	(490,792)	(473,796)	(490,792)
Loss before income tax		(2,088,461)	(1,508,675)	(2,084,353)	(1,508,675)
Income tax expense	9	-	-	-	-
Net loss for the year		(2,088,461)	(1,508,675)	(2,084,353)	(1,508,675)
Basic earnings/(loss) per share	10	(\$0.025)	(\$0.024)		
Diluted earnings/(loss) per share	10	(\$0.025)	(\$0.024)		

The accompanying notes form part of these financial statements

BALANCE SHEET
AS AT 30 JUNE 2009

	Notes	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
Current assets					
Cash and cash equivalents	11	12,552	36,947	43,933	27,544
Trade and other receivables	12	65,877	16,947	24,821	16,947
Prepayments	13	-	67,753	-	67,753
Inventory	14	94,311	58,565	88,671	58,565
Total current assets		172,740	180,212	157,425	170,809
Non-current assets					
Trade and other receivables	12	115,969	-	1,281,813	-
Other financial assets and subsidiaries	15	-	-	2	-
Property, plant and equipment	16	3,236,783	2,295,499	1,837,266	2,295,499
Total non-current assets		3,352,752	2,295,499	3,119,081	2,295,499
Total assets		3,525,492	2,475,711	3,276,506	2,466,308
Current liabilities					
Trade and other payables	17	634,723	239,532	381,629	230,129
Interest bearing liabilities	18	663,546	40,249	663,546	40,249
Provisions	19	1,452	2,546	1,452	2,546
Total current liabilities		1,299,721	282,327	1,046,627	272,924
Non-current liabilities					
Interest bearing liabilities	18	422,303	705,465	422,303	705,465
Derivative financial instruments	18	-	13,138	-	13,138
Total non-current liabilities		422,303	718,603	422,303	718,603
Total liabilities		1,722,024	1,000,930	1,468,930	991,527
Net assets		1,803,468	1,474,781	1,807,576	1,474,781
Equity					
Contributed equity	20	7,207,454	5,498,894	7,207,454	5,498,894
Accumulated losses	21	(6,112,574)	(4,024,113)	(6,108,466)	(4,024,113)
Reserves	22	708,588	-	708,588	-
Total equity		1,803,468	1,474,781	1,807,576	1,474,781

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2009**

Consolidated	Issued Capital	Accumulated Losses	Total Equity
	\$	\$	\$
At 1 July 2007	5,164,498	(2,515,438)	2,649,060
New shares issued in settlement of Convertible Notes	422,334	-	422,334
Transaction costs on share issue	(87,938)	-	(87,938)
Net loss for the year	-	(1,508,675)	(1,508,675)
At 30 June 2008	5,498,894	(4,024,113)	1,474,781

Consolidated	Issued Capital	Accumulated Losses	Reserves	Total Equity
	\$	\$	\$	\$
At 1 July 2008	5,498,894	(4,024,113)	-	1,474,781
New options issued during the period	-	-	708,588	708,588
New shares issued on acquisition of internet vending assets	312,000	-	-	312,000
New shares issued in settlement of Convertible Notes	127,414	-	-	127,414
Share placements during the year	1,300,000	-	-	1,300,000
Transaction costs on share issue	(30,854)	-	-	(30,854)
Net loss for the year	-	(2,088,461)		(2,088,461)
At 30 June 2009	7,207,454	(6,112,574)	708,588	1,803,468

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2009**

Parent	Issued Capital	Accumulated Losses	Total Equity
	\$	\$	\$
At 1 July 2007	5,164,498	(2,515,438)	2,649,060
New shares issued in settlement of Convertible Notes	422,334	-	422,334
Transaction costs on share issue	(87,938)	-	(87,938)
Net loss for the year	-	(1,508,675)	(1,508,675)
At 30 June 2008	5,498,894	(4,024,113)	1,474,781

Parent	Issued Capital	Accumulated Losses	Reserves	Total Equity
	\$	\$	\$	\$
At 1 July 2008	5,498,894	(4,024,113)	-	1,474,781
New options issued during the period	-	-	708,588	708,588
New shares issued on acquisition of internet vending assets	312,000	-	-	312,000
New shares issued in settlement of Convertible Notes	127,414	-	-	127,414
Share placements during the year	1,300,000	-	-	1,300,000
Transaction costs on share issue	(30,854)	-	-	(30,854)
Net loss for the year	-	(2,084,353)		(2,084,353)
At 30 June 2009	7,207,454	(6,108,466)	708,588	1,807,576

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		2,918,600	2,351,971	2,179,408	2,351,971
Payments to suppliers and employees		(3,790,629)	(3,366,578)	(2,627,107)	(3,375,981)
Interest received		7,358	64,985	6,625	64,985
Borrowing costs		(52,101)	(95,211)	(79,232)	(95,211)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	23(a)	(916,772)	(1,044,833)	(520,306)	(1,054,236)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for property, plant and equipment		(1,136,246)	(1,841,751)	(15,891)	(1,841,751)
Payments for acquisition of business		(111,893)	-	-	-
Purchase of investment		-	-	(2)	-
Payments for security deposits		(142,950)	-	-	-
Proceeds from security deposits		26,981	-	-	-
Loans to related parties		-	-	(1,703,897)	-
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(1,364,108)	(1,841,751)	(1,719,790)	(1,841,751)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares and options		2,008,588	-	2,008,588	-
Repayment of borrowings		(140,249)	(1,087,961)	(140,249)	(1,087,961)
Proceeds from borrowings		419,000	-	419,000	-
Capital raising expenses		(30,854)	(87,938)	(30,854)	(87,938)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		2,256,485	(1,175,899)	2,256,485	(1,175,899)
NET (DECREASE)/INCREASE IN CASH HELD		(24,395)	(4,062,483)	16,389	(4,071,886)
Cash at beginning of year		36,947	4,099,430	27,544	4,099,430
CASH AT END OF YEAR	11	12,552	36,947	43,933	27,544

The accompanying notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Note 1: Corporate Information

The financial report of Photo-Me Australia Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 30 September 2009. Photo-Me Australia Limited (the parent) is a company limited by shares, incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The financial report includes the separate financial statements for the parent as an individual entity and the consolidated entity consisting of Photo-Me Australia Limited and its subsidiaries. The nature of the operations and principal activities of the Group are described in the Directors' Report.

Note 2: Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the consolidated and parent financial statements and notes comply with International Financial Reporting Standards (IFRS).

(b) Going Concern

The company and the consolidated entity incurred net losses of \$2,084,353 (2008: \$1,508,675) and \$2,088,461 (2008: \$1,508,675) respectively for the year ended 30 June 2009 and had net cash outflows from operations of \$520,306 (2008: \$1,054,236) and \$916,772 (2008: \$1,044,833) respectively. As at 30 June 2009 the company's and consolidated entity's balance sheet showed a net current liability position of \$889,202 (2008: \$102,115) and \$1,126,981 (2008: \$102,115) respectively. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's and company's ability to continue as going concerns.

The consolidated entity is continuing to develop and operate its existing photo booths and internet vending sites. The directors are taking steps to ensure that the company has sufficient cash reserves and have been actively pursuing a number of opportunities to improve its balance sheet through debt renegotiation, cost-cutting and capital raising. As referred to in Note 27 below, subsequent to the year-end agreement has been obtained from Photo-Me International to accept \$100,000 in full and final settlement of its debt principle of approximately \$700,000 and accrued interest to the date of settlement of approximately \$80,000. This will have the effect of reducing total liabilities by some \$680,000. In addition, in principle agreement has been made that a shareholder loan of approximately \$319,000, at the year-end, will be converted into ordinary shares, subject to requisite shareholder, ASX and ASIC approvals. Furthermore, the Company is exploring a further capital raising to provide additional working capital.

The consolidated entity has also received a letter from a major shareholder confirming his willingness to provide financial support to enable the company to meet its debts as and when they fall due. Such funding, if necessary, is provided in line with a Debenture Deed lodged with ASIC on 31 August 2009. The Deed commits funding of up to \$1 million for a period of 12 months, ending 31 July 2010.

The financial statements have been prepared on the basis that the company and consolidated entity are going concerns, which contemplates the continuity of normal business activities and the realisation of assets and the extinguishment of liabilities in the normal course of business and at the amounts stated in the financial statements.

If the company and the consolidated entity are unable to continue as going concerns they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different to those stated in the financial report. The report does not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the company and the consolidated entity be unable to continue as going concerns and meet their debts as and when they become due and payable.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

(c) Impact of Adopting New Accounting Standards and New/Revised Accounting Standards Not Yet Effective

Adoption of new and revised standards

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

Early adoption of Standards

At the date of authorisation of the financial report, the following Standards which may have a significant impact on the Company or the consolidated entity were in issue but not yet effective:

- AASB 8 "Operating Segments" effective for annual reporting periods beginning on or after 1 January 2009. It is anticipated that this standard will have presentation and disclosure changes only, with no material financial impact on the financial statements of the Company or the consolidated entity.
- AASB 101 "Presentation of Financial Statements (Revised)" effective for annual reporting periods beginning on or after 1 January 2009. It is anticipated that this standard will have presentation and disclosure changes only, with no material financial impact on the financial statements of the Company or the consolidated entity.
- AASB 123 "Borrowing Costs (Revised)" effective for annual reporting periods beginning on or after 1 January 2009. The standard requires borrowing costs on qualifying assets to be capitalised. The consolidated entity currently has no borrowing costs associated with qualifying assets, and it is anticipated that there will be no material financial impact on the financial statements of the Company or the consolidated entity based on its current position.
- AASB 3 "Business Combinations (Revised)" effective for annual reporting periods beginning on or after 1 July 2009. Adoption of the standard may result in changes in the way in which the entity accounts for future business combinations.
- AASB 127 "Consolidated and Separate Financial Statements (Amended)" effective for annual reporting periods beginning on or after 1 July 2009. Adoption of the standard may result in changes in the way in which the entity accounts for future changes in the Consolidated and Separate Financial statements. The consolidated entity has not yet determined the potential financial impact of the standard on the financial statements of the Company or the consolidated entity.

(d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Photo-Me Australia Limited and its subsidiaries as at 30 June 2009 (the Group). Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2009

(e) Business Combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(f) Segment Reporting

Photo-Me Australia Limited operates only within Australia and its sole business is the provision, installation and maintenance of vending equipment.

(g) Foreign Currency Translation

Both the functional and presentation currency of Photo-Me Australia Limited and its Australian subsidiaries is Australian dollars (\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss.

(h) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

(i) Trade and Other Receivables

Trade and other receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at balance date using the first-in-first-out (FIFO) basis.

(k) Investments and Other Financial Assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(l) Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

(l) Property, Plant and Equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Photo-booths – over 7 years
- Plant and equipment - over 5 to 15 years
- Leased equipment - over 8 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(n) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 *Segment Reporting*.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

(n) Goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(o) Trade and Other Payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Interest-Bearing Loans and Borrowing

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(q) Provisions and Employee Leave Benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

(q) Provisions and Employee Leave Benefits (continued)

Employee Leave Benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(r) Convertible Notes

Compound Instrument

AASB 132 *Financial Instruments: Presentation* requires the issuer of a non-derivative financial instrument (such as a convertible note) to determine whether it contains both a liability and an equity component and if so, classify the components separately as financial liability and equity instruments.

On initial recognition of the convertible note, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole and hence no gain or loss arises from initially recognising the components of the instrument separately.

Classification of the liability and equity components of a convertible note is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when the option may appear to have become economically advantageous.

Interest expense on the convertible notes is recognised using the effective interest rate method.

Embedded Derivative

AASB 139 *Financial Instruments: Recognition and Measurement* defines an embedded derivative as a component of a hybrid instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable.

Under AASB 139 *Financial Instruments: Recognition and Measurement* the embedded derivative component must be valued separately and recognised as a liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

(s) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Specifically, revenue from photobooth and internet kiosk transactions is recognised when the transactions are complete.

(ii) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(u) Income Tax and Other Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

(u) Income Tax and Other Taxes (continued)

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Current tax assets and current tax liabilities are offset only if a legally enforceable right of setoff exists and deferred tax assets and liabilities are offset only where they relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and receivables and payables, which are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(v) Earnings Per Share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

(w) Share-Based Payments

Equity-settled transactions

Where shares issued vest immediately and the recipient is unconditionally entitled to the shares immediately, the services rendered by the recipient are treated as consideration for the shares and as such, on grant date, the services received are recognised in full, with a corresponding increase in equity.

The cost of equity-settled transactions is measured by reference to the fair value of the shares at the date at which they are granted. The fair value is determined by reference to market price.

Note 3: Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, cash and convertible notes. These activities expose the Group to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Although the group do not have documented policies and procedures, the Directors manage the different types of risks to which it is exposed by considering risk and monitoring levels of exposure to interest rate and foreign exchange risk and by being aware of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through general business budgets and forecasts.

The group and the parent entity hold the following financial instruments:

		Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents	11	12,552	36,947	43,933	27,544
Trade and other receivables	12	181,846	16,947	1,306,634	16,947
Total Financial Assets		194,398	53,894	1,350,567	44,491
Financial Liabilities					
Trade and other payables	17	634,723	239,532	381,629	230,129
Interest bearing liabilities	18	1,085,849	758,852	1,085,849	758,852
Total Financial Liabilities		1,720,572	998,384	1,467,478	988,981
Net exposure		(1,526,174)	(944,490)	(116,911)	(944,490)

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's short term deposits held.

Sensitivity Analysis

The effect of volatility of interest rates within expected reasonable possible movements would not be material.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

Note 3: Financial risk management objectives and policies (continued)

Currency risk

At 30 June 2009 the Group had the following exposure to foreign currency that is not designated in cash flow hedges:

		Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Financial Liabilities					
Trade and other payables	Yen	369	9,073	369	9,073
Total Financial Liabilities		369	9,073	369	9,073

Sensitivity Analysis

The effect of volatility of foreign exchange rates within expected reasonable possible movements would not be material

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any allowance for doubtful debts, as disclosed in the balance sheet and notes to the financial report.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. It is the Group's policy to consider the credit worthiness of all customers who wish to trade on credit terms.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk.

Price risk

The Group's exposure to commodity and equity securities price risk is minimal.

Liquidity Risk

The Group manages liquidity risk by monitoring cash flow and maturity profiles of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

Note 3: Financial risk management objectives and policies (continued)

Maturities of financial liabilities and financial assets

The tables below analyse the Group's and the parent entity's financial liabilities and financial assets, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Year ended 30 June 2009	< 6 months \$	6 – 12 months \$	1 – 5 years \$	> 5 years \$	Total \$
Consolidated					
Financial assets					
Cash and cash equivalents	12,552	-	-	-	12,552
Trade and other receivables	65,877	-	115,969	-	181,846
	<u>78,429</u>	<u>-</u>	<u>115,969</u>	<u>-</u>	<u>194,398</u>
Financial liabilities					
Trade and other payables	634,723	-	-	-	634,723
Interest bearing liabilities	-	663,546	422,303	-	1,085,849
	<u>634,723</u>	<u>663,546</u>	<u>422,303</u>	<u>-</u>	<u>1,720,572</u>
Net maturity	(556,294)	(663,546)	(306,334)	-	(1,526,174)

Parent					
Financial assets					
Cash and cash equivalents	43,933	-	-	-	43,933
Trade and other receivables	24,821	-	1,281,813	-	1,306,634
	<u>68,754</u>	<u>-</u>	<u>1,281,813</u>	<u>-</u>	<u>1,350,567</u>
Financial liabilities					
Trade and other payables	381,629	-	-	-	381,629
Interest bearing liabilities	-	422,303	663,546	-	1,085,849
	<u>381,629</u>	<u>422,303</u>	<u>663,546</u>	<u>-</u>	<u>1,467,478</u>
Net maturity	(312,875)	(422,303)	618,267	-	(116,911)

Year ended 30 June 2008	< 6 months \$	6 – 12 months \$	1 – 5 years \$	> 5 years \$	Total \$
Consolidated					
Financial assets					
Cash and cash equivalents	36,947	-	-	-	36,947
Trade and other receivables	16,947	-	-	-	16,947
	<u>53,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,894</u>
Financial liabilities					
Trade and other payables	239,532	-	-	-	239,532
Interest bearing liabilities	40,249	-	718,603	-	758,852
	<u>279,781</u>	<u>-</u>	<u>718,603</u>	<u>-</u>	<u>998,384</u>
Net maturity	(225,887)	-	(718,603)	-	(944,490)

NOTES TO THE FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2009

Note 3: Financial risk management objectives and policies (continued)

Year ended 30 June 2008

Parent	< 6 months	6 – 12 months	1 – 5 years	> 5 years	Total
	\$	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	27,544	-	-	-	27,544
Trade and other receivables	16,947	-	-	-	16,947
	44,491	-	-	-	44,491
Financial liabilities					
Trade and other payables	230,129	-	-	-	230,129
Interest bearing liabilities	40,249	-	718,603	-	758,852
	270,378	-	718,603	-	988,981
Net maturity	(225,887)	-	(718,603)	-	(944,490)

Note 4: Significant Accounting Judgements, Estimates and Assumptions

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Significant accounting judgments

Recovery of deferred tax assets

Deferred tax assets are only recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

Note 4: Significant Accounting Judgements, Estimates and Assumptions (continued)

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Significant accounting estimates and assumptions

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated.

During the previous financial year, the company wrote off goodwill of \$280,000 associated with the acquisition of Tijan Technical Services Pty Ltd resulting in an impairment of goodwill in the income statement.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and lease terms (for leased equipment).

Note 5: Segment Information

Photo-Me Australia Limited operates only within Australia and its sole business is the provision, installation and maintenance of vending equipment.

Note 6: Dividends Paid and Proposed

No dividends have been paid or declared during the year (2008: nil).

No dividends have been proposed for approval by directors but not recognised as a liability in 2009 (2008: nil).

The amount of franking credits available for the subsequent financial year is nil (2008: nil).

Note 7: Revenue & Other Income

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenue				
Sale of goods	2,936,979	2,138,157	2,219,617	2,138,157
Interest	7,358	64,985	6,625	64,985
	2,944,337	2,203,142	2,226,242	2,203,142
Other Income				
Foreign exchange gain	23,421	-	23,421	-
Gain on Revaluation of Embedded Derivative	11,171	352,836	11,171	352,836
Other	130	-	-	-
	34,722	352,836	34,592	352,836

NOTES TO THE FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2009

Note 8: Expenses

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Finance costs				
Other loans (including convertible notes and shareholder loans)	78,054	105,766	78,054	105,766
Other finance costs	8,391	-	4,481	-
Finance charges payable under finance leases	-	32,277	-	32,277
Interest charge (unwinding Present Value)	83,528	125,286	83,528	125,286
	169,973	263,329	166,063	263,329

Depreciation

Depreciation of property, plant and equipment	719,736	490,792	473,796	490,792
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Impairment allowance

Allowance for impairment loss of trade receivables	69,300	-	69,300	-
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Note 9: Income Tax

(a) Income tax expense:

The major components of income tax expense are:

Income Statement

Current income tax	-	-	-	-
Current income tax charge	-	-	-	-
Deferred income tax				
Relating to origination and reversal of temporary differences	-	-	-	-
Income tax expense reported in the income statement	-	-	-	-

(b) Amounts charged or credited directly to equity:

Current income tax related to items charged or credited directly to equity	-	-	-	-
Deferred income tax related to items charged or credited directly to equity	-	-	-	-
Income tax expense reported in equity	-	-	-	-

(c) Reconciliation between tax expense and accounting loss before income tax multiplied by the Group's applicable tax rate is as follows:

Accounting loss before tax	(2,088,461)	(1,508,675)	(2,084,353)	(1,508,675)
At the Group's statutory income tax rate of 30% 2008: 30%)	(626,538)	(452,603)	(625,306)	(452,603)
Adjustments in respect of:				
Permanent differences	6,574	-	6,574	-
Timing differences (net)	(50,969)	(46,977)	(292,173)	(46,977)
Deferred tax asset not recognised	670,933	499,580	910,905	499,580
Total income tax on operating loss	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2009

Note 9: Income Tax (continued)

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
(d) Deferred tax assets and liabilities:				
Deferred tax asset not brought to account				
Timing differences	59,983	(70,170)	301,187	(70,170)
Tax losses	1,872,723	1,290,580	1,872,723	1,290,580
	1,932,706	1,220,410	2,173,910	1,220,410

Note 10: Earnings Per Share

The following reflects the income and share data used in the calculations of basic and diluted earnings per share.

	30 June 2009	30 June 2008
	\$	\$
Net Loss attributable to members used in calculating basic and diluted earnings per share	(2,088,461)	(1,508,675)
	No of Shares	No of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	83,818,051	62,683,640
Weighted average number of ordinary shares used in calculating diluted earnings per share	83,818,051	62,683,640

The convertible notes outstanding at 30 June 2009 were not dilutive, as their conversion would result in a reduction in the loss per share

Potential ordinary shares that are not dilutive and not used in the calculation of diluted EPS:

	Number
Share Options	80,858,000

Note 11: Cash and Cash Equivalents

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash at bank and in hand	12,552	36,947	43,933	27,544

Cash at bank earns interest at floating rates based on a daily bank deposit rate. The carrying amounts of cash and cash equivalents represent fair value.

Note 12: Trade and Other Receivables

Current

Trade Debtors	95,466	16,940	71,709	16,940
Allowance for impairment	(69,300)	-	(69,300)	-
GST receivable	39,711	7	22,412	7
	65,877	16,947	24,821	16,947

Non-Current

Security Bonds	115,969	-	-	-
Receivable from controlled entity (i)	-	-	2,015,897	-
Allowance for impairment (i)	-	-	(734,084)	-
	115,969	-	1,281,813	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

(i) Terms and conditions

This comprises an interest-free loan to G Vend Pty Ltd which forms part of the investment in the subsidiary with no fixed terms of repayment.

During the year, an impairment of \$734,084 was made against the loan provided to G Vend Pty Ltd due to the subsidiary's net asset deficiency position.

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss allowance of \$69,300 (2008: \$0) has been recognised by the Group and \$69,300 (2008: \$0) by the Company in the current year.

At 30 June 2009, the ageing analysis of trade receivables is as follows:

Consolidated	As at 30 June 2009		As at 30 June 2008	
	Gross	Allowance	Gross	Allowance
	\$	\$	\$	\$
Current	18,796	-	16,940	-
31 – 60 days	-	-	-	-
61 – 90 days	-	-	-	-
91 days and over	76,670	69,300	-	-
	<u>95,466</u>	<u>69,300</u>	<u>16,940</u>	<u>-</u>
Closing Balance	<u>95,466</u>	<u>69,300</u>	<u>16,940</u>	<u>-</u>
Parent				
Current	539	-	16,940	-
31 – 60 days	-	-	-	-
61 – 90 days	-	-	-	-
91 days and over	71,170	69,300	-	-
	<u>71,709</u>	<u>69,300</u>	<u>16,940</u>	<u>-</u>
Closing Balance	<u>71,709</u>	<u>69,300</u>	<u>16,940</u>	<u>-</u>

As at 30 June 2009 the consolidated entity and the company had debts amounting to \$7,370 and \$1,870 respectively that were past due (2008: \$0) but not impaired.

Note 13: Prepayments

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Parts prepaid	-	67,753	-	67,753

Note 14: Inventory

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Inventory	94,311	58,565	88,671	58,565

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

Note 15: Other Financial Assets and subsidiaries

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Investments in controlled entities – at cost	-	-	280,002	280,000
Less: provision for diminution in controlled entities	-	-	(280,000)	(280,000)
Investments in controlled entities – at cost	-	-	2	-

Note 16: Property, Plant & Equipment

(a) Reconciliation of carrying amounts at the beginning and end of the period.

Consolidated Year ended 30 June 2009	Vending Machines	Kiosks	Computer Equipment	Furniture & Equipment	Motor Vehicle	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2008, net of accumulated depreciation	2,271,908	16,516	5,630	1,445	-	2,295,499
Acquisitions through business combination	117,785	-	354,191	31,187	21,938	525,101
Additions	1,106,015	-	51,550	620	-	1,158,185
Disposals	-	-	-	(328)	(21,938)	(22,266)
Depreciation charge for the year	(594,256)	(4,886)	(111,271)	(9,323)	-	(719,736)
At 30 June 2009, net of accumulated depreciation	2,901,452	11,630	300,100	23,601	-	3,236,783
At 30 June 2009						
Cost	5,058,2434				-	5,536,376
	,743,408	24,426	418,231	35,476		
Accumulated depreciation	(2,156,791)	(12,796)	(118,131)	(11,875)	-	(2,299,593)
Net carrying amount	2,901,452	11,630	300,100	23,601	-	3,236,783

Parent Year ended 30 June 2009	Vending Machines	Kiosks	Computer Equipment	Furniture & Equipment	Total
	\$	\$	\$	\$	\$
At 1 July 2008, net of accumulated depreciation	2,271,908	16,516	5,630	1,445	2,295,499
Additions	10,521	-	4,750	620	15,891
Disposals	-	-	-	(328)	(328)
Depreciation charge for the year	(464,637)	(4,886)	(3,578)	(695)	(473,796)
At 30 June 2009, net of accumulated depreciation	1,817,792	11,630	6,802	1,042	1,837,266
At 30 June 2009					
Cost	3,844,966	24,426	17,238	4,288	3,890,918
Accumulated depreciation	(2,027,174)	(12,796)	(10,436)	(3,246)	(2,053,652)
Net carrying amount	1,817,792	11,630	6,802	1,042	1,837,266

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

Note 16: Property, Plant & Equipment (continued)

Consolidated and Parent Year ended 30 June 2008	Booths \$	Kiosks \$	Computer Equipment \$	Furniture & Equipment \$	Total \$
At 1 July 2007, net of accumulated depreciation	1,566,638	21,415	1,921	951	1,590,925
Additions	1,186,235	-	7,484	1,647	1,195,366
Disposals	-	-	-	-	-
Depreciation charge for the year	(480,965)	(4,899)	(3,775)	(1,153)	(490,792)
At 30 June 2008, net of accumulated depreciation	2,271,908	16,516	5,630	1,445	2,295,499
At 30 June 2008					
Cost	3,834,445	24,426	12,488	3,996	3,875,355
Accumulated depreciation	(1,562,537)	(7,910)	(6,858)	(2,551)	(1,579,856)
Net carrying amount	2,271,908	16,516	5,630	1,445	2,295,499

Note 17: Current Liabilities – Trade and Other Payables

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Trade Payables (a)	424,252	88,459	149,978	79,056
Accruals (a)	97,521	20,000	89,520	20,000
	521,773	108,459	239,498	99,056
Related party payables (b)				
Mungala Investment Pty Ltd	22,000	-	22,000	-
Northern Star Nominees Pty Ltd	15,497	100,000	15,497	100,000
Photo-Me K.K. Photec	369	9,073	369	9,073
Tijan Technical Services Pty Ltd	-	-	29,181	-
VA Enterprises Technology Services Pty Ltd	59,400	22,000	59,400	22,000
Vince Accardi	5,934	-	5,934	-
KIS Photo-Me Group	(5,470)	-	(5,470)	-
PJT Services	15,220	-	15,220	-
	634,723	239,532	381,629	230,129

(a) Trade payables and accruals are non-interest bearing and are normally settled on 30-day terms.

(b) For terms and conditions relating to related party payables refer to note 24.

(c) Information regarding the effective interest rate risk of payables is set out in note 3.

NOTES TO THE FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2009

Note 18: Interest bearing liabilities and Derivative Financial Instruments

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Interest Bearing Loans and Borrowings				
Current				
Finance Leases (refer note 29)	-	40,249	-	40,249
<i>Interest Bearing Loans</i>				
Convertible notes (d)	663,546	-	663,546	-
	663,546	40,249	663,546	40,249
Non-Current				
Convertible notes (d)	-	705,465	-	705,465
Loans from Shareholders (b)	319,000	-	319,000	-
Loans from Directors (c)	103,303	-	103,303	-
	422,303	705,465	422,303	705,465
Derivative Financial Instruments				
Non-Current				
Embedded derivative – at fair value (d)	-	13,138	-	13,138

- (a) During the current and prior years, there were no defaults or breaches on any of the loans.
- (b) Loans from Shareholders relate to unsecured advances made by shareholders. The loans are at call and accrue interest at a rate of 8%. The shareholder who has provided these loans has agreed to convert the amount into ordinary shares, subject to requisite shareholder, ASX and ASIC approval.
- (c) Loans from Directors relate to unsecured advances made by Directors or their related parties. The loans are at call and accrue interest at a rate of 8% (refer note 24).
- (d) On 16 February 2007 the Group issued convertible notes with a total face value of \$1,348,100 and a term of 3 years from 7 June 2007. The notes bear an interest rate of 9.35% per annum payable quarterly in arrears and may not be redeemed before 16 February 2008. The notes are convertible at the option of the note holder into ordinary shares on or before 7 June 2010. The conversion rate is determined by dividing the face value of the note by the lower of the volume weighted average price of the Company's shares on the ASX for five days before conversion or \$0.20. During the year 3,298,350 (2008:3,688,333) ordinary fully paid shares were issued upon conversion of convertible notes with a face value of \$157,331 (2008:\$422,334).

In accordance with the Group's accounting policy on initial recognition of the convertible note, the equity component is assigned the residual amount (in this case the residual amount was nil) after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.

Included in convertible notes is a loan amount of \$700,100 (before fair value adjustment) from Photo-Me International Plc (PMI). Subsequent to the year end, PMI has agreed to accept \$100,000 in full and final settlement of this debt (and including accrued interest to the date of settlement of approximately \$80,000). This will have the effect of reducing total liabilities by some \$680,000. The benefit of this adjustment is not reflected in the year-end Balance Sheet.

- (e) At reporting date, the Group has no unused financing facilities (2008: nil).
- (f) The carrying amount of the Group's current and non-current borrowings approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

Note 19: Provisions

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Employee Entitlements – annual leave	1,452	2,546	1,452	2,546

Note 20: Contributed Equity

	30 June 2009		30 June 2008	
	No of Shares	\$	No of Shares	\$
Issued and paid up capital				
Ordinary shares - fully paid	91,657,150	7,207,454	60,675,467	5,498,894
Movements in shares				
Beginning of the financial year	64,358,800	5,498,894	60,675,467	5,164,498
Shares issued on conversion of Convertible Notes	3,298,350	127,414	3,683,333	422,334
Shares issued for subsidiary (a)	6,500,000	312,000	-	-
Share placements during the year	17,500,000	1,300,000	-	-
Transactions costs	-	(30,854)	-	(87,938)
End of financial year	91,657,150	7,207,454	64,358,800	5,498,894

Fully paid ordinary shares carry one vote per share and carry the right to dividends. The company has unlimited authorised capital with no par value.

(a) Issued in exchange for business combination (Globalinc Technology Pty Ltd and Globalinc Software Pty Ltd).

Capital Risk Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management effectively manages capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses may include the issue of new shares, return of capital to shareholders, the entering into of joint ventures and or the sale of assets.

The entity does not have a defined share buy-back plan. There is no current intention to incur debt funding on behalf of the company, nor is the consolidated entity not subject to any externally imposed capital requirements. No dividends were paid in 2009 and no dividends are expected to be paid in 2010.

Management reviews management accounts on a monthly basis and regularly reviews actual expenditures against budget.

Note 21: Accumulated Losses

Movement in accumulated losses were as follows

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance at 1 July	(4,024,113)	(2,515,438)	(4,024,113)	(2,515,438)
Net loss	(2,088,461)	(1,508,675)	(2,084,355)	(1,508,675)
Balance at 30 June	(6,112,574)	(4,024,113)	(6,108,468)	(4,024,113)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

Note 22. Reserves

Option premium reserve

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Options with exercise price of \$0.06 on or before 31 July 2011	708,588	-	708,588	-
	30 June 2009		30 June 2008	
	No of options	\$	No of options	\$
Options	80,858,800	708,588	-	-
Movements in options				
Beginning of the financial year	-	-	-	-
Issued during the year during the year	80,858,800	708,588	-	-
End of financial year	80,858,800	708,588	-	-

The company has granted options over unissued shares in the company. Each option conferring the right to subscribe for one fully paid ordinary share. The options do not confer the right to dividends or to vote at meetings of members.

Note 23: Cash Flow Statement Reconciliation

(a) Reconciliation of net loss after tax to net cash flows from operations

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Net loss for the year	(2,088,461)	(1,508,675)	(2,084,353)	(1,508,675)
Non-cash flows in loss from continuing activities				
Depreciation and loss on sale	720,063	490,792	474,124	490,792
Allowance for impairment loss	69,300	-	69,300	-
Provision for impairment of controlled entities	-	-	-	280,000
Impairment of goodwill	-	280,000	-	-
Impairment of receivable from controlled entity	-	-	734,084	-
Gain on acquisition of business	(101,208)	-	-	-
Change in fair value of embedded derivative	(11,171)	(352,836)	(11,171)	(352,836)
Unwinding of PV – Convertible Note	83,528	125,286	83,528	125,286
Adjustment to Convertible Note	-	(12,560)	-	(12,560)
(Increase)/Decrease in receivables	(118,230)	1,162	(77,174)	1,162
(Increase)/Decrease in inventory	(35,746)	-	(30,106)	-
Decrease/ (Increase) in prepayments	67,753	(51,495)	67,753	(51,495)
Decrease / (Increase) in other assets	-	(31,683)	-	(31,683)
Increase in payables	498,494	13,359	254,803	3,956
(Decrease)/Increase in provisions	(1,094)	1,817	(1,094)	1,817
Cash Flows from Operations	(916,772)	(1,044,833)	(520,306)	(1,054,236)

(b) Disclosure of financing facilities – Refer Note 18

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

Note 23: Cash Flow Statement Reconciliation (continued)

(c) Non-cash financing and investing activities

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Conversion of Convertible Notes (Notes 18, 20 and 24)	127,414	422,334	127,414	422,334
Settlement of subsidiary purchase with shares (note 20)	312,000	-	312,000	-

Note 24: Related Party Disclosure

(a) Subsidiaries

Name	Country of Incorporation	Equity Interest		Investment	
		2009 %	2008 %	2009 \$	2008 \$
Tijan Technical Services Pty Ltd	Australia	100	100	-	280,000
Globalinc Technology Pty Ltd	Australia	100	-	2	-

(b) Transactions with Related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
KIS Photo-Me Group (shared directors) - purchase of booths	70,050	1,102,603	70,050	1,102,603
Photo-Me International plc (PMI) (significant shareholder) - services provided	-	429,613	-	429,613
Photo-Me K.K. Photec (shared directors) - services provided	33,123	90,582	33,123	90,582
Tijan Technical Services Pty Ltd (shared director) - servicing of booths	616,601	419,016	112,485	419,016
VAETS Pty Ltd (significant shareholder & shared director) - services provided	277,400	267,692	277,400	267,692
PJT Services (shared personnel) - services provided	157,004	130,000	157,004	130,000
Mungala Investments (shared director) - services provided	45,000	60,000	45,000	60,000
Expense reimbursement – Vince Accardi	59,409	5,685	59,409	5,685
Expense reimbursement – Adrien Wing	3,226	-	-	-
Serec – Interest on convertible notes	9,738	-	-	-
PMI – Interest on convertible notes	33,093	-	33,093	-
Northern Star Nominees (shared personnel) - services provided	60,015	99,500	60,015	99,500

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

Note 24: Related Party Disclosure (continued)

(c) Key management personnel

Details relating to key management personnel are included in note 25.

(d) Loans from related parties

Details relating to loans from related parties are included in note 25.

Note 25: Key Management Personnel

(a) Details of Key Management Personnel

Directors

Mr A Edgar	Non Executive Chairman (Appointed 9 February 2007)
Mr V Accardi	Managing Director (Appointed 9 February 2007; resigned 18 March 2009)
Mr R Costi	Non-Executive Director (Appointed 8 November 2004)
Mr V Mathieu	Non-Executive Director (Appointed 8 November 2004)
Mr M Di Giulio	Non-Executive Director (Appointed 10 September 2008)

Executives

Mr A Wing	Company Secretary (Appointed 12 December 2006, resigned 18 March 2009)
Mr P Tijan	Technical & maintenance consultant (Appointed 2 April 2007)

(b) Compensation of Key Management Personnel

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Short-term employee benefits	602,054	557,192	602,054	557,192
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	602,054	557,192	602,054	557,192

(c) Option holdings of Key Management Personnel

No options were issued as remuneration at 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

Note 25: Key Management Personnel (continued)

(c) Shares and option holdings of Key Management Personnel (consolidated)

Ordinary Shares held in Photo-Me Australia Limited

	Balance 1 Jul 08	Granted as Payment	Options Exercised	Net Change Other ⁽¹⁾	Balance 30 Jun 09
Directors					
Mr A Edgar	12,864,202	-	-	3,298,350	16,162,552
Mr V Accardi	4,027,833	-	-	-	4,027,833
Mr R Costi ⁽²⁾	-	-	-	-	-
Mr V Mathieu ⁽²⁾	-	-	-	-	-
Mr M Di Giulio	-	-	-	-	-
Executive officers					
Mr A Wing	777,260	-	-	354,995	1,132,255
Mr P Tijan	1,400,000	-	-	-	1,400,000
	19,069,295	-	-	3,653,345	22,722,640

	Balance 1 Jul 07	Granted as Payment	Options Exercised	Net Change Other ⁽³⁾	Balance 30 Jun 08
Directors					
Mr A Edgar	9,614,202	-	-	3,250,000	12,864,202
Mr V Accardi	3,594,500	-	-	433,333	4,027,833
Mr R Costi ⁽²⁾	-	-	-	-	-
Mr V Mathieu ⁽²⁾	-	-	-	-	-
Executive officers					
Mr A Wing	777,260	-	-	-	777,260
Mr P Tijan	1,400,000	-	-	-	1,400,000
	15,385,962	-	-	3,683,333	19,069,295

(1) Net Change Other for the year ended 30 June 2009 relates to shares purchased and/or sold during the year on market, together with shares acquired on conversion of Convertible Note.

(2) Mr R Costi's and Mr V Mathieu's interests in shares in the Company arise indirectly by their association with Photo-Me International plc, which holds 13,825,000 shares.

(3) Net Change Other for the year ended 30 June 2008 relates to shares acquired from the conversion of Convertible Notes (refer to Notes 19 and 20)

Option holdings of Key Management Personnel (consolidated)

Options held in Photo-Me Australia Limited

	Balance 1 Jul 08	Granted as Compensation	Options Exercised	Bought & (Sold)	Balance 30 Jun 09
Directors					
Mr A Edgar	-	-	-	12,843,337	12,843,337
Mr V Accardi	-	-	-	6,027,833	6,027,833
Mr R Costi ⁽¹⁾	-	-	-	-	-
Mr V Mathieu ⁽¹⁾	-	-	-	-	-
Mr M Di Giulio	-	-	-	-	-
Executive officers					
Mr A Wing	-	-	-	1,132,255	1,132,255
Mr P Tijan	-	-	-	1,400,000	1,400,000
	-	-	-	21,403,425	21,403,425

(1) Mr R Costi's and Mr V Mathieu's interests in options in the Company arise indirectly by their association with Photo-Me International plc, which holds 13,825,000 options. No options were issued during the year ended 30 June 2008.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

Note 25: Key Management Personnel (continued)

(d) Loans from Key Management Personnel and their related parties

	Balance at 01.07.08 \$	Movement in the year \$	Balance at 30.06.09 \$
Loans (i)			
Northern Star Nominees Pty Ltd – Adrien Wing	100,000	(100,000)	-
Mungala Investment Pty Ltd – Angus Edgar	-	103,303	103,303
	100,000	3,303	103,303
Convertible notes (ii & iii)			
Photo-Me International plc	700,100	-	700,100
Serec Pty Ltd – Angus Edgar	206,000	(157,331)	48,669
	906,100	(157,331)	748,769

	Balance at 01.07.07 \$	Movement in the year \$	Balance at 30.06.08 \$
Loans (i)			
Northern Star Nominees Pty Ltd – Adrien Wing	-	100,000	100,000
Photo-Me International plc	373,019	(373,019)	-
Serec Pty Ltd – Angus Edgar	95,821	(95,821)	-
VAETS Pty Ltd – Vince Accardi	2,917	(2,917)	-
Ghazi Pty Ltd – Geoff MacLeod Smith	38,754	(38,754)	-
	510,511	(410,511)	100,000
Convertible notes (ii)			
Photo-Me International plc	700,100	-	700,100
Serec Pty Ltd – Angus Edgar	596,000	(390,000)	206,000
VAETS Pty Ltd – Vince Accardi	52,000	(52,000)	-
	1,348,100	(442,000)	906,100

- (i) Loans relate to unsecured advances. The loans are at call and accrue interest at a rate of 8%.
- (ii) On 16 February 2007 the Group issued convertible notes with a total face value of \$1,348,100 and a term of 3 years from the date of when Photo-Me Limited listed on the ASX (7 June 2007). The notes bear an interest rate of 9.35% per annum payable quarterly in arrears.

The notes may not be redeemed before 16 February 2008. The notes are convertible at the option of the note holder into ordinary shares within 3 years of the date that the company listed on the ASX (i.e. by 7 June 2010).

The conversion rate is determined by dividing the face value of the note by the lower of the volume weighted average price of the Company's shares on the ASX for five days before conversion or \$0.20.

- (iii) Convertible notes are shown at face value. The present value of the notes outstanding at 30 June 2009 shown in the balance sheet is \$663,546 (2008:\$705,465).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

Note 25: Key Management Personnel (continued)

(f) Other transactions and balances with Key Management Personnel and their related parties

During the year, Serec Pty Ltd, an entity which is associated with Mr Angus Edgar, received 3,298,350 fully paid ordinary shares in consideration for the conversion of existing \$157,331 of Convertible Notes.

Note 26: Business Combination

Acquisition of Globalinc Technology Pty Ltd

On 1 September 2008, Photo-Me Australia Limited acquired the assets of Globalinc Technology Pty Ltd. Globalinc Technology was an unlisted private company based in Australia specialising in the installation and management of internet vending services.

The total cost of the acquisition was \$423,893 and comprised an issue of 6,500,000 shares at \$0.048 each. Fair value is based on the ASX closing price for Photo-Me Australia on the completion date.

The acquired business contributed revenue of \$697,620 and a loss of \$845,979 to the group for the period from 1 September 2008 to 30 June 2009.

	Recognised on acquisition	Consolidated Carrying value
	\$	\$
Identifiable assets and liabilities (a)	525,101	525,101
Cost of the combination:		
Shares issued, at fair value	312,000	
Direct costs relating to the acquisition	111,893	
Total cost of combination	<u><u>423,893</u></u>	
Discount on acquisition	<u><u>101,208</u></u>	

(a) The assets acquired relate to furniture and fittings used to establish existing internet vending sites plus a small amount of spare parts stock.

Note 27: Events After The Balance Sheet Date

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years except for the following:

1. Included in convertible notes is a loan amount of \$700,100 (before fair value adjustment) from Photo-Me International Plc (PMI). Subsequent to the year end, PMI has agreed to accept \$100,000 in full and final settlement of this debt (and including accrued interest to the date of settlement of approximately \$80,000). This will have the effect of reducing total liabilities by some \$680,000. The benefit of this adjustment is not reflected in the year-end Balance Sheet.
3. Agreement has been received in principle to convert a loan of \$319,000 from a shareholder into ordinary shares, subject to requisite shareholder, ASX and ASIC approvals.

NOTES TO THE FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30 JUNE 2009

Note 28: Commitments and Contingencies

Leasing commitments – finance leases

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Minimum lease payments				
within one year	-	40,608	-	40,608
after one year but not more than five years	-	-	-	-
after five years	-	-	-	-
Total minimum lease payments	-	40,608	-	40,608
Less amounts representing finance charges	-	(359)	-	(359)
	-	40,249	-	40,249
Included in the financial statements as:				
Current interest bearing loans and borrowings (note 18)	-	40,249	-	40,249
Non-current interest bearing loans and borrowings (note 18)	-	-	-	-
	-	40,249	-	40,249

Note 29: Auditors Remuneration

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
The auditor of Photo-Me Australia Limited is PKF				
Amounts received or due and receivable by PKF for:				
▪ an audit of the financial report of the entity and any other entity in the consolidated group	29,010	27,500	29,010	27,500
	29,010	27,500	29,010	27,500

Note 30: Share-Based Payments

Equity-settled transactions

Transactions during the year

During the year, Serec Pty Ltd, an entity which is associated with Mr Angus Edgar, received 3,298,350 fully paid ordinary shares in consideration for the conversion of existing \$157,331 of Convertible Notes.

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2009

The directors of Photo-Me Australia Limited declare that:

- (a) in the directors' opinion the financial statements and notes on pages 18 to 50, and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 12 to 16, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and
- (c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*, the Corporations Act 2001 and the Corporations Regulations 2001; and
- (d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and the chief financial officer for the financial year ended 30 June 2009, required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.



Vince Accardi
Managing Director

Dated this 30 September 2009

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PHOTO-ME AUSTRALIA LIMITED**



Chartered Accountants
& Business Advisers

Report on the Financial Report

We have audited the accompanying financial report of Photo-Me Australia Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Photo-Me Australia Limited (the company) and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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**INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF PHOTO-ME AUSTRALIA LIMITED***Auditor's Opinion*

In our opinion:

- (a) the financial report of Photo-Me Australia Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Emphasis of Matter - Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter.

As referred to in Note 2(b) to the financial statements, the company and the consolidated entity incurred net losses of \$2,084,353 (2008: \$1,508,675) and \$2,088,461 (2008: \$1,508,675) respectively for the year ended 30 June 2009 and had net cash outflows from operations of \$520,306 (2008: \$1,054,236) and \$916,772 (2008: \$1,044,833) respectively. As at 30 June 2009 the company's and consolidated entity's balance sheet showed a net current liability position of \$889,202 (2008: \$102,115) and \$1,126,981 (2008: \$102,115) respectively. These conditions give rise to a material uncertainty which may cast significant doubt about the ability of the company and the consolidated entity to continue as going concerns, and therefore whether they will be able to pay their debts as and when they fall due and realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report has been prepared on a going concern basis and therefore does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Photo-Me Australia Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Acts 2001*.

**PKF****J A Mooney**
Partner

30 September 2009
Melbourne

CORPORATE GOVERNANCE STATEMENT

The directors of Photo-Me Australia Limited believe firmly that benefits will flow from the maintenance of the highest possible standards of corporate governance. A description of the company's main corporate governance practices is set out below. The Company has adopted the 2nd Edition of the "Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council" issued by the ASX Corporate Governance Council in August 2008.

The Board is arranging for greater use of the Company's website for communicating with shareholders, and will be arranging for its charters, policies or summaries to be made available on the website as encouraged by the 2nd Edition principles ('revised Principles').

Principle No	Best Practice Recommendation	Compliance	Reason for Non-compliance
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The board has adopted a formal charter setting out the responsibilities of the Board. Any functions not reserved for the Board and not expressly reserved for members by the Corporations Act and ASX Listing Rules are reserved for senior executives.	Not applicable
1.2	Disclose the process for evaluating the performance of senior executives.	The Board meets annually to review the performance of executives. The senior executives' performance is assessed against the performance of the company as a whole.	Not applicable
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	A performance evaluation has been completed during the reporting period in accordance with the process detailed in 1.2 above.	Not applicable
2.1	A majority of the Board should be independent of directors.	Currently Photo-Me Australia Limited has one independent director (Mr Malcolm Di Giulio)	Given the relative small scale and size of the Company, it has assembled a Board that is able to efficiently discharge its duties.
2.2	The chair should be an independent director.	Following the resignation of the previous chairman, Mr Angus Edgar, who was not independent, the Board is looking to appoint an independent chairman.	Given the relatively small size of the Company, it has assembled a Board that is able to efficiently discharge its duties.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	The roles of the Chair (currently vacant, formerly Mr Angus Edgar) and Executive Director (Mr Vince Accardi) are separated.	Not applicable
2.4	The board should establish a nomination committee.	The board does not have a nomination committee.	It is not a company policy to have a nomination committee, given the size and scale of Photo-Me Australia. The role of a nomination committee is carried out by the full Board. The full board considers the appointment of new directors, on an informal basis.

Principle No	Best Practice Recommendation	Compliance	Reason for Non-compliance
2.5	Disclose the process for evaluating the performance of the board, its committee and individual directors.	The performance evaluation of board members occurs by way of an informal review by the full board (in the absence of the relevant Board member).	Not applicable.
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	The skills, experience and expertise relevant to the position held by each director is disclosed in the Directors' Report which forms part of the Annual Report. The names of the Independent Directors are disclosed above in the Annual Report. The directors are entitled to take independent professional advice at the expense of the company. The period of office held by each director is disclosed in the Directors' Report which forms part of this Annual Report.	Not applicable
3.1	Establish a code of conduct and disclose the code for a summary of the code as to: <ul style="list-style-type: none"> the practise necessary to maintain confidence in the Company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	The Board is arranging for greater use of the Company's website for communicating with shareholders, and is arranging for the Code of Conduct to be made available on the website as encouraged by the revised Principles.	Not applicable
3.2	Establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	The Board is arranging for greater use of the Company's website for communicating with shareholders and is arranging for a Trading Policy to be made available on the website as encouraged by the revised Principles.	Not applicable.
3.3	Provide the information indicated in the Guide to reporting on Principle 3.	The information has been disclosed in the Annual Report.	Not applicable.
4.1	The board should establish an audit committee.	The company has established an Audit Committee.	Not applicable.
4.2	The audit committee should be structured so that it: consists only of non-executive directors; <ul style="list-style-type: none"> consists of a majority of non executive directors; is chaired by an independent chair, who is not chair of the board; has at least three members 	The Audit Committee has four members, consisting of the independent director, Mr Mal Di Giulio, Mr Accardi, Mr Mathieu and Mr Costi. The Audit Committee is chaired by Mr Malcolm Di Giulio.	Not applicable.

4.3	The audit committee should have a formal charter.	The Board is arranging for greater use of the Company's website for communicating with shareholders, and is arranging for the Audit and Risk Management charter to be made available on the website as encouraged by the revised Principles.	Not applicable.
4.4	Provide the information in the Guide to reporting on Principle 4.	The names of the members of the Audit Committee are disclosed above. The qualifications of the members of the Audit Committee are disclosed in the Directors' Report which forms part of this Annual Report. The audit committee will meet twice in each year, before sign off of the annual and half year financial statements. The external auditor, PKF Chartered Accountants, has a rotation policy such that lead partners are rotated every 5 years and review partners are rotated every 5 years.	Not applicable.
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Board is arranging for greater use of the Company's website for communicating with shareholders, and is arranging for the Continuous Disclosure Policy to be made available on the website as encouraged by the revised Principles.	Not applicable.
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	The information has been disclosed in the Annual Report.	Not applicable.
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy	The Board is arranging for greater use of the Company's website for communicating with shareholders, and will be arranging for a Shareholder Communications Policy to be made available on the website as encouraged by the revised Principles.	Not applicable.
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information has been disclosed in the Annual Report	Not applicable.
7.1	Establish policies for the oversight and management of material business risk and disclose a summary of those policies.	This policy outlines the material risks face by the Company as identified by the Board. Given the size and scale of Photo-Me Australia it does not have a Risk sub-committee or Internal Audit function.	Not applicable.

7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Board believes the risk management and internal control systems designed and implemented by the Directors and the Financial Officer are adequate given the size and nature of the company's activities. The board informally reviews and requests management to report on risk management and internal control.	Management has not formally reported to the board as to the effectiveness of the company's management of its material business risks. Given the nature and size of the Company and the Board's ultimate responsibility to manage the Company's risks, this is not considered critical. The Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board receives assurance from Mr Vince Accardi (Executive Director) and the chief financial officer (if applicable) in the form of a declaration, prior to approving financial statements.	Not applicable.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The information has been disclosed in the Annual Report.	Not applicable.
8.1	The board should establish a remuneration committee.	The company does not have an established remuneration committee.	It is not a company policy to have a nomination committee, given the size and scale of the Company. The role of a nomination committee is carried out by the full Board which considers the appointment of new directors on an informal basis.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior executives, as described in the Directors' Report which forms part of this Annual Report.	Not applicable.
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	The information has been disclosed in the Annual Report.	Not applicable.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

ANALYSIS OF MEMBERS' SHARE HOLDINGS

At 28th August 2009 there were 91,657,150 ordinary fully paid shares.

There were 312 holders of ordinary shares.

Range of Holding	No. of Shareholders	Percent of Issued Capital (%)
1 - 1,000	1	0.00
1,001 – 5,000	4	0.02
5,001 – 10,000	86	0.94
10,001 – 100,000	156	8.48
100,000 and over	65	90.56
Total	312	100.00

Number of shareholders with less than a marketable parcel	201
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20 Largest Holders of Ordinary Shares

Name	Number of Shares	Percent of Issued Capital (%)
Oceanside Securities Pty Ltd (David Wee Property Investment trust)	17,500,000	19.09
Photo-Me International PLC	13,825,000	15.08
Serec Pty Ltd	13,184,350	14.38
VA Enterprises Technologies Pty Ltd	4,027,833	4.39
Nunzio Di Iorio	3,900,000	4.25
Leon Eugene Pretorius	3,000,000	3.27
Nicolas Karamouzis	2,800,000	3.05
GR Whiteman and CA Acton	1,800,000	1.96
Angus Michael Edgar	1,156,125	1.26
Sandhurst Trustees Ltd	1,150,000	1.25
Thomsen and Associates	1,100,000	1.20
Philip Tijan	1,100,000	1.20
Ghazi Pty Ltd	1,000,000	1.09
Maisson Pty Ltd	975,000	1.06
Yavern Creek Holdings Pty Ltd	951,375	1.04
HSBC Custody Nominees Australia Ltd	823,000	0.90
Zentrum Pty Ltd	780,000	0.85
Adrien Michele Wing	677,260	0.74
Nicola Gugliemo	670,443	0.73
Oakmen Pty Ltd	650,000	0.71
	71,070,386	77.50

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (continued)

ANALYSIS OF MEMBERS' OPTION HOLDINGS

At 28th August 2009 there were 80,858,800 options.

There were 125 holders of options.

Range of Holding	No. of Optionholders	Percent of Issued Options (%)
1 - 1,000	0	0.00
1,001 – 5,000	0	0.00
5,001 – 10,000	26	0.32
10,001 – 100,000	51	2.91
100,000 and over	48	96.77
Total	125	100.00

20 Largest Holders of Options

Name	Number of Options	Percent of Issued Options (%)
Oceanside Securities Pty Ltd (David Wee Property Investment trust)	14,900,000	18.43
Photo-Me International PLC	13,825,000	17.10
Serec Pty Ltd	9,886,000	12.23
VA Enterprises Technologies Pty Ltd	6,027,833	7.45
Yavern Creek Holdings Pty Ltd	3,251,375	4.02
Leon Eugene Pretorius	3,000,000	3.71
Sandhurst Trustees Ltd (JMFG Consol a/c)	3,000,000	3.71
Northern Star Nominees Pty Ltd	2,334,300	2.89
SA Cap Funds Management Ltd	2,000,000	2.47
Melbourne Capital Limited	1,751,212	2.17
Stephen Holland	1,500,000	1.86
Philip Tijan	1,400,000	1.73
Angus Michael Edgar Superfund a/c	1,156,125	1.43
Maisson Pty Ltd	975,000	1.21
Lower Bago Holdings Ltd	900,000	1.11
Zentrum Pty Ltd	780,000	0.96
Adrien Michele Wing	677,260	0.84
Nicola Guglielmo	670,443	0.83
Oakmen Pty Ltd	650,000	0.80
Aivars Strazdins	600,000	0.74
	69,284,548	85.69